

VZCZCXYZ0002
RR RUEHWEB

DE RUEHBU #1351/01 1942016
ZNR UUUUU ZZH
R 132016Z JUL 07
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC 8634
INFO RUEHAC/AMEMBASSY ASUNCION 6348
RUEHBR/AMEMBASSY BRASILIA 6213
RUEHCV/AMEMBASSY CARACAS 1346
RUEHLP/AMEMBASSY LA PAZ JUL MONTEVIDEO 6577
RUEHSG/AMEMBASSY SANTIAGO 0576
RUEAIIA/CIA WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RHMFIUU/FBI WASHINGTON DC
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

UNCLAS BUENOS AIRES 001351

SIPDIS

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [PGOV](#) [PREL](#) [AR](#)
SUBJECT: ARGENTINA: TOILET-GATE, ENVIRO-GATE, AND OTHER
CORRUPTION TALES

REF: BUENOS AIRES 00844

11. (SBU) SUMMARY: The emergence of yet more corruption scandals tied to the administration has President Kirchner on the defensive. On July 11, Cabinet Chief Alberto Fernandez publicly defended the actions of Environment Secretary Romina Picolotti against charges of nepotism and irregular spending. The administration has also had to publicly defend Economy Minister Felisa Miceli against charges of corruption and tax evasion after a bag of unexplained cash was found in her private office rest room. First Lady and Senator Cristina Fernandez de Kirchner's position as the front-runner of the presidential race has not yet been affected by the mounting corruption discoveries, but with an energy crisis on their hands, a recent series of provincial election setbacks, and now these emerging scandals, the Kirchner dynasty's aura of invincibility is declining. END SUMMARY.

Toilet-Gate: The Econ Minister and the Mysterious Bag of Loot

12. (SBU) Economy Minister Felisa Miceli has come under scrutiny after Perfil reporter Jorge Lanata reported that during a routine inspection by the explosives brigade in the Economy Ministry, a bag with US\$241,000 had been discovered in the closet of Miceli's private bathroom. A Ministry spokesperson clarified that the amount was actually more like US\$60,000 and that the money had been declared in the Minister's public declaration upon taking office. According to Miceli's office, the money was intended for the acquisition of property for one of her daughters. The press and some opposition members are insinuating corruption, tax evasion, and other violations. A private lawyer has filed a complaint following the release of the story and opposition legislators have requested information from the executive and are calling for the Miceli's appearance in Congress to give explanations on the case. A federal prosecutor is gathering evidence in the case and may summon Miceli to make a statement. The prosecutor may recommend charges be brought against Miceli if there is sufficient proof against her. This decision may take place in the weeks ahead.

13. (SBU) During the weekend of July 8-9, Cabinet Chief Alberto Fernandez and President Kirchner came out in support of Miceli. Fernandez has said that there are no plans for Miceli to step down, that they believe her explanation

regarding the money, and that it was "just a lapse in judgment, but not a crime." Miceli is claiming that there is a dirty campaign against her by some in the Economic Ministry allegedly linked to another possible corruption case under investigation (the Greco case).

¶4. (SBU) After two weeks of silence from Miceli and the story refusing to die, Fernandez and Kirchner called her in for a meeting and reportedly told her to clarify the situation. Her public statements have done little to dispel suspicion of wrongdoing and have highlighted several inconsistencies in her story. Sticking with the real-estate story, Miceli says she had taken the money to her office because she was expecting to buy an apartment for herself (not her daughter). She added that the money found had been loaned to her by her brother and that only a "little bit" was her own (i.e. that it was not hers, perhaps because she knew that she could not account for the money in her original public declaration of funds.)

¶5. (SBU) The press reports other supposed anomalies such as some of the money being in Central Bank "bundles." According to the press, the Central Bank only provides money to banks or financial institutions, not to individuals. Agendas that were seized by the court did not show any indication that Miceli had scheduled meetings with real-estate brokers, to which Miceli responded that she had not yet found a house and, therefore, had no sales contract or broker. (NOTE: This highlights another inconsistency in Miceli's story: if she had not yet identified a house for purchase, she would not know how much money she would need for the purchase. END NOTE.) While Miceli has said that she made a mistake with the handling of the money, she has emphasized that she has not committed a crime.

Enviro-Gate: Lessons in Nepotism

¶6. (SBU) In an article published in Argentine newspaper Clarin on July 8, Environment Secretary Romina Picolotti was accused of nepotism, misuse of public funds (for private transportation to provinces), and the irregular routing of international development funds through the Fundacion ArgenINTA. According to the article, Picolotti, a former activist who rose to prominence in the paper mill dispute with Uruguay but with no political experience, has hired 350 new staff--including family and friends--since she took office last year. The report added that the Secretariat had been paying higher wages to Picolotti's inner circle, far beyond the average wage ordinary employees receive. Picolotti is also accused of using private jets for travel to the provinces despite commercial airline availability and the acquisition of new furniture and equipment that ended up abandoned in hallways of the Secretariat. Apparently, the money to fund the irregular spending was routed through ArgenINTA, an entity under the Secretariat that reportedly has fewer controls on spending.

¶7. (SBU) Cabinet Chief Alberto Fernandez asked Picolotti to respond to the charges in writing to him. After a meeting with her on July 11, Fernandez in a press conference disregarded the accusations and expressed his and the administration's confidence in Picolotti's capabilities as the head of the Environment Secretariat. He defended the employment of Picolotti's relatives and friends, who, he said, were hired based on their qualifications as environmental consultants and professionals. Picolotti was also present in the press conference, but remained silent as Fernandez defended her and denounced the accusations as part of a "political operation" by fired Secretariat employee Bruno Carpinetti. Carpinetti was reportedly abruptly removed from his position as Undersecretary of Coordination and Environment Policy after a confrontation with Picolotti's brother Juan Picolotti, Romina's chief of staff. Fernandez also used the press conference as the opportunity to criticize the reporter, whom he called "a pseudo-journalist"

and a "self-proclaimed investigative journalist," spurring criticism from local press associations.

Skanska Update

18. (SBU) The largest and most visible scandal of the winter, the Skanska case (see REF) has been a regular feature in the Argentine media and causing headaches for the Kirchner administration. A tax-evasion investigation of the Swedish company Skanska's involvement in a gas pipeline expansion in the north of Argentina led to a criminal investigation for alleged bribes after Congressmen Adrian Perez of the center-left ARI party and Esteban Bullrich of the center-right PRO party pushed for a corruption investigation.

Skanska has admitted to using 118 false receipts valued at AR\$17 million. The Criminal Court of Appeals in Economic Matters split the case into two parts and among two judges. Judge Javier Lopez Biscayart has jurisdiction over the alleged tax-evasion, and Federal Judge Guillermo Montenegro is in charge of the investigations for alleged bribery. The tax-evasion case is now stalled as the court hear appeals from the accused (no GOA officials). Montenegro will continue to hear testimony from Skanska employees (both current and former) and Argentine officials, two of which are ex-president of Enargas Fulvio Madaro and ex-president of Nacion Trust Funds (part of the National Bank) Nestor Ulloa. Ulloa is suspected of knowingly allowing the diversion of state funds for the pipeline project to pay bribes to construction companies. Madaro is being questioned about Enargas' management of the pipeline project and possible knowledge of bribes. The case has also been loosely tied to Planning Minister Julio De Vido, whose Ministry oversees the pipeline project, although De Vido himself has not yet been implicated in either tax evasion or bribes.

Patagonian Pipeline

19. (SBU) Congressman Carlos Lorenzo (Radical Civic Union from Chubut) filed a complaint about the failure to follow proper procedures and solicit bids in the awarding of a public works project worth US\$90 million to build a pipeline in Chubut province. According to press reports, businessman Alejandro Ivanisevich submitted a proposal to build the pipeline, whose funding was to be shared among Engasud (a construction and auditing company), the province of Chubut, the National Bank, and the Federal Government. Apparently, the job was awarded to Ivanisevich in an irregular way that suggests corruption. Public works projects are subject to requirements for bid solicitations and transparent competition, both of which were apparently waived in this case. The investigation of the corruption allegations is in its preliminary stages and the prosecutor has yet to render an opinion as to the status of the accused.

Fake Invoices and other Irregularities

110. (SBU) In the Viasso case, Roberto Viasso and his wife are suspected of leading an illicit organization that created front companies that sold fake invoices to different companies and public entities. There are 3000 companies under investigation for alleged tax evasion via false invoices and 37 public entities--including labor unions--that are suspected of having received bribes. Some of the public offices under investigation include: the Congressional Committee for the Oversight of Intelligence Agencies and Activities, the Cabinet Chief's office, the Ministry of Social Development, the Ministry of Health, and the Ministry of Education. There is also a list of labor unions under suspicion.

111. (SBU) As an offshoot of the Viasso case, six judges are

investigating AR\$40 million in false billing for public works completed by 12 construction companies. Judge Biscayart is investigating 500 companies and public offices suspected of involvement with false invoicing in another derivative investigation of the Skanska and Viasso cases. On July 12, 45 companies were raided for documents related to the front companies discovered in the Skanska case. Some of the raided companies mentioned in the press include: Autopistas del Sol (private toll road company), Banco Columbia, Baxterrica Clinic, Easy Argentina (home-improvement company), Cencosud (Chilean supermarket chain), and Wal-Mart.

Come Fly With Me

¶12. (SBU) In the Federal Airlines Company (LAFSA) and Southern Wings airline case, the Secretary for Transportation Ricardo Jaime is under investigation for mismanagement and irregular accounting in the agreement between LAFSA and the now extinct Southern Wings company. Federal Judge Daniel Rafecas is also looking into irregular invoice payment by the Federal government for fuel provided to Southern Wings and for staff compensation.

Fiddling with the Numbers

¶13. (SBU) Federal prosecutor Carlos Stornelli has asked Federal Judge Rodolfo Canicoba Corral to summon Commercial Secretary Guillermo Moreno -- the President's front man on

SIPDIS
keeping a lid on inflation -- to give a statement on the alleged irregularities surrounding the inflation rate measured by the National Institute for Statistics and Census (INDEC). Moreno is being accused of abusing his position by adulterating the monthly inflation and cost of living indexes that INDEC measures and publishes. In fact, Moreno has no statutory authority over INDEC, which falls under the Minister of Economy.

Comment

¶14. (SBU) The corruption scandals tied to the Kirchner administration continue to build and have led many analysts here to speculate that President Kirchner now finds himself in an uncomfortable position in the run-up to the October presidential elections. Some analysts have cited this as a possible motive behind Kirchner's decision to run his wife, Senator Cristina Fernandez de Kirchner, as the Victory Front (FPV) candidate in October. After the first snow in over 89 years fell in the capital of Buenos Aires in the middle of an energy crisis, the mounting corruption investigations highlight some cracks in the Kirchner dynasty but as yet have not seriously affected his polling or that of Cristina. For now, the polls still show Cristina as the front-runner, with an increased projected intention of votes of approximately 48 percent (depending on the poll company), up from 45 percent.

¶15. (SBU) The wholesale effect of this grab-bag of scandals and pressure on the Kirchner administration is, however, as of now does not appear likely to result in a significant change of the political status quo. Presidential candidates Elisa Carrio (ARI, Center-left) and Roberto Lavagna (Kirchner's ex-Economy Minister) have rejected center-right candidate Ricardo Lopez Murphy's appeal to form a united opposition to challenge the Kirchners in October. The emerging Peronist alternative headed by former Presidents Carlos Menem, Ramon Puerta, and Adolfo Rodriguez Saa also remains fragmented and without a clear leader. However, there have been a number of surprises in recent months and in the time until the October 28 elections may well contain a few more. END COMMENT.

WAYNE